

# City of Detroit

## CITY COUNCIL

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ANNE MARIE LANGAN  
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(313) 224-1078

TO: Lovevett Williams, Director  
Department of Transportation

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 25, 2010

RE: 2011-2012 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2011-2012 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, April 28, 2011 at 10:45 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General  
Floyd Stanley, Budget Deputy Director  
Tom Lijana, Finance Director  
Terri Wilson, Budget Department  
Denise Gardner, Mayor's Office

## **Department of Transportation (20)**

### **FY 2011-2012 Budget Analysis by the Fiscal Analysis Division**

#### **Summary**

The Department of Transportation (DOT) is an Enterprise Fund Agency, but historically has not been self-supporting and has relied on contributions from the General Fund in order to present a balanced budget.

DOT's total 2011-2012 recommended budget is \$161.67 million. This represents a \$2.15 million (1.3%) decrease from the current year's budget. Although DOT's net tax cost is zero, it does receive a recommended General Fund subsidy of \$55.64 million in the proposed budget.

Below is a history of General Fund subsidies for the Transportation Fund:

<u>Fiscal Year</u>	<u>Budgeted Subsidy for DOT Operations</u>	<u>Budgeted Subsidy for People Mover Operations</u>	<u>Budgeted Total Transportation Subsidy</u>	<u>Ratio of DOT Operation Subsidy to Total DOT Revenues</u>
2012	\$51,239,141	\$4,405,335	\$55,644,476	34.42%
2011	50,916,248	4,405,335	55,321,583	33.76%
2010	80,018,789	6,229,976	86,248,765	47.86%
2009	78,355,490	6,229,976	84,585,466	49.12%
2008	73,478,147	6,229,976	79,708,123	48.05%
2007	70,155,651	6,229,976	76,385,627	47.50%
2006	77,252,604	6,229,976	83,482,580	49.06%
2005	69,614,983	7,736,137	77,351,120	45.20%
2004	68,199,900	10,265,050	78,464,950	45.00%
2003	67,575,767	10,805,300	78,381,067	37.10%
2002	73,423,721	11,374,000	84,797,721	40.60%
2001	68,477,884	10,674,000	79,151,884	39.60%
2000	55,372,845	9,255,000	64,627,845	33.60%
1999	52,372,845	9,255,000	61,627,845	32.00%
1998	55,159,845	8,500,000	63,659,845	35.60%
1997	57,058,845	8,500,000	65,558,845	38.60%
1996	43,433,734	7,374,298	50,808,032	30.80%
1995	37,986,051	5,834,000	43,820,051	29.40%
1994	26,831,243	7,248,720	34,079,963	22.30%
1993	30,423,067	7,223,115	37,646,182	23.70%
1992	35,472,696	7,670,000	43,142,696	25.30%
1991	39,523,853	3,217,060	42,740,913	28.00%
1990	33,735,578	6,000,000	39,765,578	24.82%
1989	32,454,711	7,870,000	40,324,711	24.84%
1988	39,073,768	5,904,439	44,978,207	29.88%

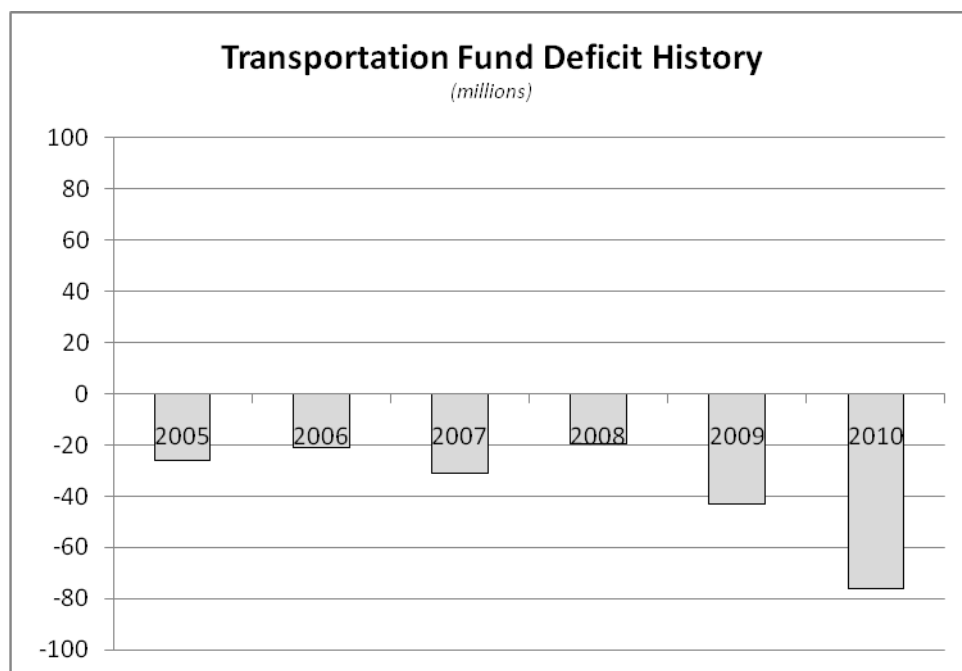
<sup>1</sup> Mayor's Recommendation in the 2011-2012 Executive Budget.

## Surplus/(Deficit)

There is currently no reported surplus or deficit in DOT for 2010-2011.

At the end of Fiscal 2009-2010, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund reported a **\$75.88 million deficit**.

Below is a recent history of the Fund's deficits:



## Overtime

Fiscal Year	Overtime Spent (millions)	Surplus/(Deficit)
<i>through 3/31/11</i>	\$15.4	(6.68)
2010	21.19	(11.7)
2009	22.00	(18.7)
2008	20.42	(19.09)
2007	15.66	(7.67)
2006	13.73	(5.56)
2005	18.23	(6.72)
2004	21.42	(3.40)
2003	20.96	(3.93)
2002	19.92	(2.89)
2001	21.19	(4.29)
2000	21.80	(5.31)
1999	20.74	(5.31)
1998	18.40	(3.90)
1997	16.87	(1.42)

The 2011-2012 Budget recommends an overtime budget of \$8.4 million, which is \$300,000 greater than the current year budget.

### Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2010-11</u>	<u>Filled Positions 3/31/2011</u>	<u>Mayor's Budget Positions FY 2011-12</u>	<u>Over/(Under) Actual to 10/11 Budget</u>
<b>Transportation (20):</b>				
200010 Administration	15	7	15	(8)
200011 DDOT Strategic Plan. Div.	7	7	8	0
200012 DDOT Capital Projects Div.	2		2	(2)
200090 Finance	40	29	41	(11)
200100 Grants Management		3		3
200110 Customer Prog. & Comm.	12	11	12	(1)
200150 Purchase & Cont. Admin.	15	15	16	0
<b>00146 Departmental Operations</b>	<b>91</b>	<b>72</b>	<b>94</b>	<b>(19)</b>
200170 Building Maintenance	69	51	63	(18)
200230 Risk Management	28	18	28	(10)
<b>00149 Plant Maintenance</b>	<b>97</b>	<b>69</b>	<b>91</b>	<b>(28)</b>
200280 Vehicle Maintenance	317	292	295	(25)
200290 Materials Management	28	23	27	(5)
<b>00150 Vehicle Maintenance</b>	<b>345</b>	<b>315</b>	<b>322</b>	<b>(30)</b>
200300 Vehicle Operation	808	842	760	34
200330 Service Development				0
<b>00151 Transportation</b>	<b>808</b>	<b>842</b>	<b>760</b>	<b>34</b>
20XXXX Leave of Absence		(6)		(6)
20XXXX Worker's Comp.		(45)		(45)
20XXXX Unmatched Positions		<u>1</u>		<u>1</u>
<b>TOTAL</b>	<b><u>1,341</u></b>	<b><u>1,248</u></b>	<b><u>1,267</u></b>	<b><u>(93)</u></b>

### Variance of 2001-2011 Budget to 2011-2012 Recommended Budget by Major Object Group

<u>Major Object Group</u>	<u>Change Amount</u>
Salaries and Wages	\$(5,754,442)
Employee Benefits	648,037
Prof/Contract Svcs	(940,306)
Operating Supplies	(1,996,876)
Operating Services	(2,659,701)
Other Expenses	-
Capital Acquisitions	-
Fixed Charges	8,547,622
<b>Total</b>	<b>\$ (2,155,666)</b>

**Department of Transportation (20)**

Budgeted Professional and <u>Contractual Services by Activity</u>	FY 2010-11 <u>Budget</u>	FY 2011-12 <u>Recommended</u>	Increase <u>(Decrease)</u>
Administration	\$ 2,133,120	\$ 1,525,257	\$ (607,863)
Plant Maintenance & Construction	790,000	475,000	(315,000)
Vehicle Maintenance	-	-	-
Transportation	<u>8,533,333</u>	<u>8,515,890</u>	<u>(17,443)</u>
<b>Total</b>	<b><u>\$ 11,456,453</u></b>	<b><u>\$ 10,516,147</u></b>	<b><u>\$ (940,306)</u></b>

**Significant Revenue Changes by Appropriation and Source**

The recommended budgeted fare box revenue of \$30 million accounts for 18% of DOT's operational costs. This is a decrease of \$100,000 from the current budget.

State reimbursement for operations is projected at \$52 million, similar to the current year.

Since 1998, the Feds no longer provide direct operational funding for transportation. The Feds will still provide capital grants for the purchasing of buses and they will now allow some transfers of operational maintenance costs to those grants that are awarded. DOT has grant funds of \$20 million budgeted, the same level as the current year.

**Issues and Questions**

1. How much in operation costs can be charged to grants? Please explain the formula. Is the \$20 million in grant funding that is budgeted the most that could be charged to grants? Why according to the financial records, was \$54.7 million collected in grants, when only \$20 was budgeted?
2. Will further service cuts be made after the cuts implemented in April?
3. Please provide a detailed list, by account, by cost center, the operating costs that will be charged to grants for the current fiscal year and next fiscal year.
4. Please explain the new budgeted expense of \$7.7 million for "Transfer to other Funds"
5. Please explain the new budgeted expense of \$8 million for "Expense – Clearing Transfer Account"
6. Explain how the fuel account can drop by to \$6.6 million, when the actual costs for 2009-2010 were \$10.5 million? Is service decreasing by 37%?
7. Please explain the decrease in miscellaneous contractual services of \$640,000. What is being provided out of this account?
8. Please provide a copy of this fiscal year's cash flow as well as cash flow projections through June 30, 2011.

9. When will the agency provide the Council with a Deficit Elimination Plan for the current \$75.88 million deficit?
10. How did the deficit practically double, when operating costs were to be shifted to grants?
11. How many layoffs are anticipated due to the budgeted staff reductions?